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OSCODA-AUSABLE TOWNSHIP  
SENIOR CENTER BUILDING AUTHORITY  
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2007

## I\_N\_D\_E\_X

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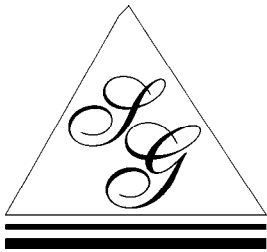
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May 15, 2008

Independent Auditors' Report

Members of the Authority Board  
Oscoda-AuSable Township  
Senior Center Building Authority  
Iosco County, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of the Oscoda-AuSable Township Senior Center Building Authority, Iosco County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the index. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Oscoda-AuSable Township Senior Center Building Authority, Iosco County, Michigan, as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2008, on our consideration of the Oscoda-AuSable Township Senior Center Building Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

As described in Note 2, the Oscoda-AuSable Township Senior Center Building Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of December 31, 2007.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Stephenson, Gracik & Co., P.C.*

**Oscoda-AuSable Township  
Senior Center Building Authority  
Iosco County, Michigan**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Oscoda-AuSable Township Senior Center Building Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. The discussion focuses on the Authority's primary government. This analysis, a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34), omits certain comparative data that will be available in future years.

**Financial Highlights**

- The Authority's assets exceeded its liabilities by \$33,591.
- The Authority's total net assets increased by \$31,329.
- The Authority's governmental fund reported combined ending fund balance of \$33,591 this year, an increase of \$31,329. The entire amount is available for spending (*unreserved fund balance*).

**Overview of the Financial Statements**

The financial statements are organized so the reader can understand the Authority as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Authority's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *statement of net assets* and the *statement of activities* display information about the Authority as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the financial condition of the governmental activities of the Authority at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Authority with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Authority.

Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, capital assets are listed for the Charter Township of AuSable. These assets are comprised of buildings and improvements, machinery and equipment, distribution and collection system infrastructure, and land owned by the Township. These assets total over \$4.3 million.

### **Fund Financial Statements**

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental*, *Proprietary* and *Fiduciary*.

#### ***Governmental Funds:***

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund – This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.
- Fire Fund – This fund accounts for fire department activities. Revenues are derived from a dedicated fire millage tax.

#### ***Proprietary Funds:***

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the Township's major enterprise funds:

- Sewer Fund – This fund accounts for fees collected for sewer services provided by the Township.
- Water Fund – This fund accounts for fees collected for water services provided by the Township.

#### ***Fiduciary Funds:***

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as the fiscal agent.

## Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements. The notes to financial statements are presented in Exhibit K of this report.

### Government-Wide Financial Analysis

#### Summary of Net Assets:

The following summarizes the net assets of the Charter Township of AuSable at December 31, 2007:

	<b>Net Assets Summary</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Current Assets	\$ 1,237,729	\$ 1,602,066	\$ 2,839,795	\$ 2,655,352
Restricted Assets	0	137,365	137,365	132,353
Noncurrent Assets	<u>58,567</u>	<u>3,841,167</u>	<u>3,899,734</u>	<u>3,942,384</u>
<b>Total Assets</b>	<u>1,296,296</u>	<u>5,580,598</u>	<u>6,876,894</u>	<u>6,730,089</u>
Current Liabilities	630,406	139,362	769,768	780,741
Long-Term Liabilities	<u>0</u>	<u>451,937</u>	<u>451,937</u>	<u>649,895</u>
<b>Total Liabilities</b>	<u>630,406</u>	<u>591,299</u>	<u>1,221,705</u>	<u>1,430,636</u>
<b>Net Assets</b>				
Invested in Capital Assets,				
Net of Related Debt	58,567	2,122,500	2,181,067	2,122,897
Restricted	0	137,365	137,365	132,353
Unrestricted	<u>607,323</u>	<u>2,729,434</u>	<u>3,336,757</u>	<u>3,044,203</u>
<b>Total Net Assets</b>	<u>\$ 665,890</u>	<u>\$ 4,989,299</u>	<u>\$ 5,655,189</u>	<u>\$ 5,299,453</u>

#### Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for fiscal year 2007 with comparative totals for 2006.

Generally speaking, the Township's net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The Charter Township of AuSable, through its governing body, i.e., township board, has taken a sensible approach vis-à-vis capital asset acquisition and amortization of the incurred debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The Township Board has prudently set aside funds to offset potential personnel and/or administrative liabilities. It is the Township's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
<b>Program Revenues:</b>				
Charges for Services	\$ 40,375	\$ 577,418	\$ 617,793	\$ 597,246
Operating Grants and Contributions	<u>146,119</u>	<u>0</u>	<u>146,119</u>	<u>8,384</u>
<b>Total Program Revenues</b>	<u>186,494</u>	<u>577,418</u>	<u>763,912</u>	<u>605,630</u>
<b>General Revenues:</b>				
Property Taxes	541,385	0	541,385	526,774
State Revenue Sharing	159,825	0	159,825	162,331
Rent Income	50	35,000	35,050	35,010
Gain on Sale of Capital Assets	0	18,424	18,424	0
Investment Earnings and Miscellaneous	<u>41,407</u>	<u>78,852</u>	<u>120,259</u>	<u>102,280</u>
<b>Total General Revenues</b>	<u>742,667</u>	<u>132,276</u>	<u>874,943</u>	<u>826,395</u>
<b>Total Revenues</b>	<u>929,161</u>	<u>709,694</u>	<u>1,638,855</u>	<u>1,432,025</u>
<b>Program Expenses:</b>				
General Government	322,147	0	322,147	283,666
Public Safety	287,679	0	287,679	281,907
Public Works	45,743	0	45,743	94,183
Health and Welfare	17,947	0	17,947	0
Community and Economic Development	25,185	0	25,185	33,862
Recreation and Cultural	31,425	0	31,425	34,515
Sewer Services	0	129,333	129,333	128,055
Water Services	<u>0</u>	<u>423,660</u>	<u>423,660</u>	<u>438,443</u>
<b>Total Program Expenses</b>	<u>730,126</u>	<u>552,993</u>	<u>1,283,119</u>	<u>1,294,631</u>
<b>Change in Net Assets</b>	199,035	156,701	355,736	137,394
<b>Beginning Net Assets</b>	<u>466,855</u>	<u>4,832,598</u>	<u>5,299,453</u>	<u>5,162,059</u>
<b>Ending Net Assets</b>	<u>\$ 665,890</u>	<u>\$ 4,989,299</u>	<u>\$ 5,655,189</u>	<u>\$ 5,299,453</u>

### Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$155,354 from *Charges for Services and Operating Grants and Contributions*. The *Charges for Services* are fees for various licenses, and tax collection fees. *Operating Grants and Contributions* includes a contribution of assets to the Industrial Park Fund of \$139,913 from the AuSable-Oscoda Joint Industrial Park which was dissolved in March 2007. While revenue collected is minimal, operating expenses totaled \$730,126 for these same activities. The largest expenses were incurred by General Government Offices (\$322,147) and Public Safety (\$287,679).

### Business-Type Activities

Charter Township of AuSable's *Business-Type activities* are limited to the Sewer and Water Funds.

### Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

## **Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds: 1) General fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue; 2) Fire Fund – accounts for the receipt and expenditure of property taxes for fire department activities.

This year's Township audit shows three governmental funds. These funds are maintained by the Township as separate units in the general ledger.

## **Enterprise Funds**

The Township's enterprise funds provide the same type of information found in the government-wide financial statements. Commonly, the sewer and water departments comprise these funds. GASB 34 places such funds under the caption of *Propriety Funds* under the appropriate statements, i.e., *Statement of Net Assets*, *Statement of Cash Flows*, etc. More specific detail is seen in Exhibits G, H, and I.

## **Budgetary Highlights**

### **General Fund Budgetary Highlights**

The Township's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended December 31, 2007 the Township Board amended the budget to take into account events occurring during the year. These budget amendments fall into two categories:

- Changes made to reflect increases or decreases in anticipated expenditures
- Changes made to reflect increases or decreases in anticipated revenues

The General Fund actual revenue was \$683,554. That amount is above the original budget estimates of \$670,728 and below the final amended budget estimates of \$688,744. The variance between the actual revenues, the original budget and the final budget was mainly the result of changes in revenues from current property taxes, charges for services and interest.

The actual expenditures of the General Fund were \$646,348, which is above the original budget estimates of \$634,526 and below the final amended budget estimates of \$685,404. The variance between the actual expenditures, the original budget and the final budget was due to changes in spending in various areas.

The General Fund had total revenues of \$683,554, total expenditures of \$646,348 and an ending fund balance of \$427,882.

## **Capital Asset and Debt Administration**

### **Capital Assets**

Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.



The Township's infrastructure consists of water and sewer lines. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$97,787 with an ending balance of \$110,854. Governmental Activities Total Capital Assets – Net of Depreciation was \$58,567.

Capital Assets - Business Type Activities beginning balance was \$4,029,170 with an ending balance of \$4,166,311. Business-Type Activities Total Capital Assets – Net of Depreciation was \$2,308,410, the major increase was for a \$129,153 waterline extension to River Road in 2007. An expanded and detailed presentation may be seen in Note 7 of the audit, notes to financial statements.

### **Long-Term Debt**

At year's end, long-term debt (due in more than one year) amounted to \$451,937. Such debt includes *Contracts Payable and General Obligation Bonds Payable*.

### **Economic Factors and Next Year's Budget and Rates**

A comprehensive water rate analysis has been commissioned by the Township Board to ensure that Sewer and Water rates are optimized for today's market conditions. The study should be completed in mid 2008 and may affect revenues if it concludes that rates need to be adjusted.

Next year's Building Authority (Senior Citizen) millage will once again be levied at the voted rate of .1 mill. The collection of that levy was suspended in 2007 due to an incorrect millage calculation on the 2006 levy. That millage will resume on the winter 2008 levy.

The Township Board and management staff are working diligently to keep expenditures down and to maintain revenue levels that are within their control. Property taxes account for approximately two thirds of the Township's General Fund revenues.

Revenue sharing from the State of Michigan is the next largest revenue source for the Township and this source is beyond the control of the Township. As revenue estimates for the State continue to decline, the Township may receive less funds than are currently budgeted. The Township's General Fund realized a 9.5% increase in fund balance in 2007 and these funds will be used to cover any shortfall in revenues.

The most significant expense remains employee related costs. Following are contracted and professional services, insurance and utilities. The remaining portion of the budget is comprised of operating expenses such as supplies, services, maintenance, and capital improvements.

The Township Board and staff will continue to monitor revenues and expenditures and take appropriate action to account for changes in economic factors.

### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charter Township of AuSable located at 311 Fifth Street, AuSable, Michigan 48750.

OSCODA-AUSABLE TOWNSHIP SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

STATEMENT OF NET ASSETS  
December 31, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents (Note 3)	<u>\$ 35,801</u>
<u>Liabilities</u>	
Accounts payable	<u>2,210</u>
<u>Net Assets</u>	
Unrestricted	<u><u>\$ 33,591</u></u>

The accompanying notes to financial statements are an integral part of this statement.

OSCODA-AUSABLE TOWNSHIP SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2007

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:					
Health and Welfare	<u>\$      18,315</u>	<u>\$              0</u>	<u>\$      48,256</u>	<u>\$              0</u>	<u>\$      29,941</u>
General revenues:					
Investment earnings					<u>1,388</u>
Change in net assets					31,329
Net assets - beginning of year					<u>2,262</u>
Net assets - end of year					<u>\$      33,591</u>

The accompanying notes to financial statements are an integral part of this statement.

OSCODA-AUSABLE TOWNSHIP SENIOR CENTER BUILDING AUTHORITY  
Iosco County, MichiganBALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2007ASSETS

Cash and cash equivalents (Note 3)	\$ 35,801
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LIABILITIES AND FUND EQUITYLiabilities

Accounts payable	\$ 2,210
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Fund Equity

Fund balance:

Unreserved:

Undesignated	33,591
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Total Liabilities and Fund Equity	\$ 35,801
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The accompanying notes to financial statements are an integral part of this statement.

OSCODA-AUSABLE TOWNSHIP SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUND  
For the Year Ended December 31, 2007

Revenue

Contributions from local units	\$ 48,256
Interest earned	1,388
Total revenue	<u>49,644</u>

Expenditures

Health and welfare	<u>18,315</u>
Excess of revenue over expenditures	31,329
Fund balances - beginning of year	<u>2,262</u>
Fund balances - end of year	<u><u>\$ 33,591</u></u>

The accompanying notes to financial statements are an integral part of this statement.

OSCODA-AUSABLE TOWNSHIP  
SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Oscoda-AuSable Township Senior Center Building Authority conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Private-sector standards of accounting issued after November 30, 1989, are generally followed in the government-wide fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies.

A. Description of Authority Operations

The financial statements of the Building Authority have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. All activities over which the Building Authority exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Joint Venture

The Oscoda-AuSable Township Senior Center Building Authority functions as a joint venture between the Charter Township of AuSable and the Charter Township of Oscoda. The purpose of the entity is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities and the necessary sites therefore.

C. Basis of Presentation

The Authority's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Authority as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the financial condition of the governmental activities of the Authority at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Authority, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Authority.

OSCODA-AUSABLE TOWNSHIP  
SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Governmental Fund**

Governmental funds are those through which all of the governmental functions of the Authority are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the major governmental fund of the Authority:

General Fund – This fund accounts for all financial resources. Revenues are derived primarily from contributions from local units and interest income.

E. Measurement Focus

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus.

All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets.

F. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Nonexchange Transactions**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Authority, available means expected to be received within sixty days after year end.

OSCODA-AUSABLE TOWNSHIP  
SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Basis of Accounting (Continued)

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the Authority's revenue sources are considered both measurable and available at year end.

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

G. Budgets and Budgetary Accounting

The Authority normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Authority submits to each Township Board a proposed operating budget which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Authority.

The budgets of the Authority are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the functional level.

The legal level of control is at the functional level.

Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Authority. The financial statements include budgetary amounts as amended.



OSCODA-AUSABLE TOWNSHIP  
SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

I. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. The Authority currently does not hold any capital assets.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2007, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement Number 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" in their entirety as required by the Local Audit and Finance Division of the Treasury Department of the State of Michigan.

GASB Statement No. 34 creates new basic financial statements for reporting on the Authority's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting. The government-wide financial statements split the Authority's programs between governmental activities and business type activities. The Authority does not currently have any business-type activities.

OSCODA-AUSABLE TOWNSHIP  
SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including the Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Authority's deposits and investments were reported in the basic financial statements in the following categories:

Cash and Cash Equivalents	\$ <u>35,801</u>
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The breakdown between deposits and investments is as follows:

Bank Deposits (checking accounts)	\$ <u>35,801</u>
-----------------------------------	------------------

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Building Authority's deposits may not be returned to it. As of December 31, 2007 \$0 of the Building Authority's bank balance of \$35,801 was exposed to custodial credit risk.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk

The Building Authority's investment policy does not address concentration of credit risk, interest rate risk or foreign currency risk.

Investments:

The Building Authority has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Building Authority to deposit and invest in the following:

- \* Accounts of federally insured banks, credit unions and savings and loan associations
- \* Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- \* United States government or federal agency obligation repurchase agreements
- \* Banker's acceptances of United States banks
- \* Commercial paper rated within the two highest classifications by not less than two standard rating services which matures not more than 270 days after the date of purchase
- \* Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

OSCODA-AUSABLE TOWNSHIP  
SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: (Continued)

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Building Authority's deposits and investments are in accordance with statutory authority.

NOTE 4 - RISK MANAGEMENT

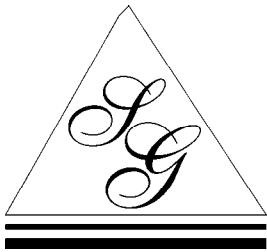
The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The Authority continues to carry commercial insurance for risks of loss, including building insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

OSCODA-AUSABLE TOWNSHIP SENIOR CENTER BUILDING AUTHORITY  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Contributions from local units	\$ 33,000	\$ 33,000	\$ 48,256	\$ 15,256
Interest earned	<u>0</u>	<u>0</u>	<u>1,388</u>	<u>1,388</u>
Total revenue	33,000	33,000	49,644	16,644
<u>Expenditures</u>				
Health and welfare:				
Agency on aging	<u>33,000</u>	<u>33,000</u>	<u>18,315</u>	<u>14,685</u>
Excess of revenue over expenditures	0	0	31,329	31,329
Fund balances - beginning of year	<u>2,262</u>	<u>2,262</u>	<u>2,262</u>	<u>0</u>
Fund balances - end of year	<u>\$ 2,262</u>	<u>\$ 2,262</u>	<u>\$ 33,591</u>	<u>\$ 31,329</u>



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Gerald D Gracik Jr., CPA  
James J Gracik, CPA  
E. Thad Gray, CPA  
Donald W. Brannan, CPA  
Kyle E Troyer, CPA  
-----  
Herman A Bertuleit, CPA

May 15, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Authority Board  
Oscoda-AuSable Township  
Senior Center Building Authority  
Iosco County, Michigan

We have audited the financial statements of the governmental activities and major fund of the Oscoda-AuSable Township Senior Center Building Authority as of and for the year ended December 31, 2007, which collectively comprise the Oscoda-AuSable Township Senior Center Building Authority's basic financial statements and have issued our report thereon dated May 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oscoda-AuSable Township Senior Center Building Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oscoda-AuSable Township Senior Center Building Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oscoda-AuSable Township Senior Center Building Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Oscoda-AuSable Township Senior Center Building Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Oscoda-AuSable Township Senior Center Building Authority's financial statements that is more than inconsequential will not be prevented or detected by the Oscoda-AuSable Township Senior Center Building Authority's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting:

Financial Statement Preparation

The Oscoda-AuSable Township Senior Center Building Authority prepares various financial information throughout the year to assess operations and the financial condition of the Authority. However, prior to closing the year end, various entries material to the financial statements were proposed by our firm. Also, the Authority relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

Members of the Authority Board  
Oscoda-AuSable Township  
Senior Center Building Authority  
May 15, 2008  
Page Two

The Oscoda-AuSable Township Senior Center Building Authority has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Authority is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Authority would not be in a position to detect the errors or omissions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Oscoda-AuSable Township Senior Center Building Authority's internal control.

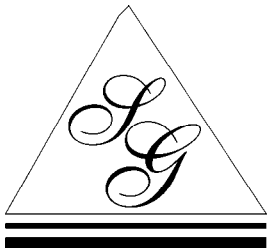
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oscoda-AuSable Township Senior Center Building Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Authority Board and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grunth & Co., P.C.*



# *Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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-----  
Herman A Bertuleit, CPA

May 15, 2008

Members of the Authority Board  
Oscoda-AuSable Township  
Senior Center Building Authority  
Iosco County, Michigan

Dear Board Members:

We have audited the financial statements of the governmental activities and major fund of the Oscoda-AuSable Township Senior Center Building Authority for the year ended December 31, 2007, and have issued our report thereon dated May 15, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 2, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Oscoda-AuSable Township Senior Center Building Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Oscoda-AuSable Township Senior Center Building Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on December 20, 2007.

## Significant Audit Findings

### **Qualitative Aspects of Accounting Practice**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Oscoda-AuSable Township Senior Center Building Authority are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Authority changed accounting policies as a result of adopting Statement of Governmental Accounting Standards (GASB Statements) No. 34, 37 and 38 in their entirety, for the year ended December 31, 2007. We noted no transactions entered into by the Oscoda-AuSable Township Senior Center Building Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.



### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The audit adjustments, which include material misstatements detected as a result of audit procedures, were provided to and corrected by management.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 15, 2008.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of the Oscoda-AuSable Township Senior Center Building Authority for the year ended December 31, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. As a result of our consideration of the internal controls and tests of compliance as described in the third and fourth paragraphs, we offer the following recommendations for consideration.

#### **Financial Statement Preparation**

The Oscoda-AuSable Township Senior Center Building Authority prepares various financial information throughout the year to assess operations and the financial condition of the Authority. However, prior to closing the year end, various entries material to the financial statements were proposed by our firm. Also, the Authority relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

Members of the Township Board  
Oscoda-AuSable Township Senior Center Building Authority  
May 15, 2008  
Page Three

The Oscoda-AuSable Township Senior Center Building Authority has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Authority is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Authority would not be in a position to detect the errors or omissions.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the Authority.

This information is intended solely for the use of management, the Authority Board and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grunh & Co., P.C.*